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UNCLAS SECTION 01 OF 02 LUANDA 000191

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STATE PASS TO USTR, GABORONE FOR TRADE HUB

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SUBJECT: CHIQUITA BECOMES LARGEST U.S. NON-OIL PARTNER IN  
ANGOLA

REF: LUANDA 0026

¶1. Summary: U.S.-based banana giant, Chiquita Brands International, signed March 4 a 15-year agreement with Angolan partners to purchase an estimated 7.7 million boxes of bananas per year from a soon-to-be established 3000 hectare industrial banana plantation in Benguela province. The well-respected Portuguese Espirito Santo Investment Group (ESCOM) and its local partner (with a 20 percent share), the MPLA-funded HiperGesta, provide the USD 60.6 million investment to establish the banana plantation. In addition to creating over 3000 direct jobs and an estimated 8,000 more indirectly, this investment will become an anchor for infrastructure development along the corridor between Lobito/Benguela and the production site. The Chiquita/ESCOM partnership represents the largest non-extractive sector participation by a U.S. firm in the Angolan economy since independence. Mitigating possible negative externalities (like crowding out small scale banana producers and the displacement of current farmers on the concession's lands) and improving the overall investment climate are among the challenges facing Chiquita and its partners. Doing business is hard in Angola, but ESCOM's political connections and intimate knowledge of the Angolan economic landscape made this deal possible. End Summary.

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Not Small at All  
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¶2. On March 5, representatives of the Espirito Santo Investment Group (ESCOM) and Chiquita briefed Ambassador Mozena on their recently signed agreement to restart industrial banana production for export in Angola. (Note: Before independence in 1975, Angola was a major banana exporter. End Note) ESCOM and its partner, HiperGesta (backed by the ruling MPLA's social development foundation), will provide a USD 60.6 million investment to operate a 3000 hectare industrial banana plantation in Benguela province to produce 7.7 million boxes of bananas per year for export to Europe by Chiquita, beginning in late 2009 or early 2010. Under the 15-year contract, Chiquita will provide technical assistance to train the managers and employees in production methods that will allow the Angolans to produce the quantity and quality of bananas required to meet Chiquita's needs in the European market. The project will employ over 3000 full-time employees on a year-round basis and provide 2.5 times that number of jobs in supporting/dependent economic activity, according to Chiquita projections.

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What This Means to Angola  
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¶3. The return of industrial banana production for export is an important step for Angola. The government recognizes the key role agriculture plays in providing secure employment and economic development across the social spectrum. ESCOM appropriately pointed out that their investment represents the largest single agricultural investment in Angola since independence in 1975. That a well-respected U.S. company, Chiquita, is involved as a partner in the project will play well with the GRA, including President Dos Santos, who had urged Ambassador Mozena to encourage increased U.S. participation in the non-extractive sectors of Angola's economy (reftel).

¶4. In addition to the 11,000 direct and indirect jobs created by the project, the infrastructure improvements around the plantation and the port of Lobito will enhance Angola's competitiveness as a destination for even more foreign and domestic investment. Chiquita officials told the Ambassador the banana plantation will likely become an "anchor" around which other projects can take root. Carton and pallet production was mentioned as a good example, as was agriculture or backhaul imports that could take advantage of the weekly containerized cargo service and cold chain availability associated with the project.

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Mitigating Externalities  
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¶5. The ESCOM partners were sensitive to the potential effect their low-cost, high-productivity plantation might have on established (small-scale) local banana producers. Some local farmers may apply for foreman jobs or other employment at the

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plantation; for those who want to remain in banana production, ESCOM and Chiquita will provide training and technical assistance to help these farmers produce for local or regional markets. Perhaps of more immediate concern is the potential displacement of current farmers or landholders (not owners under the Angolan system) located on the ESCOM concession site. According to ESCOM, the parties have consulted extensively with local leaders to ensure the plantation is a welcome member of the community. On the margins of the presentation, Chiquita officials expressed concern with their difficulty in securing visas to enter Angola. We will work together with them to address this and other potential areas of concern related to the general business climate for foreign investors.

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Comment  
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¶6. The Chiquita/ESCOM partnership is an excellent example of the benefits of a U.S. firm's working with an established Angolan company to identify a market and mobilize the needed technical and human capital resources available in Angola to mount a successful venture. It is an unfortunate reality in this still-developing economy that the heavy political lifting orchestrated by ESCOM (and its MPLA-funded partner, HiperGesta) was needed to negotiate government approval for the project. We are working with reform-minded elements in the GRA so someday other investors will find it easier to invest in Angola without needing to rely on political insiders like Espirito Santo and HiperGesta.

MOZENA